

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1232-05
Bill No.: Perfected HS for HB 555
Subject: Health Care; Health Department; Science and Technology; Tobacco Products
Type: Original
Date: April 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$3,857,600 to (\$50,027,143)	(\$435,200,000 to \$435,622,560)	(\$164,000,000 to \$164,423,778)
Life Sciences Research	\$0	\$0	\$0
Healthy Families Trust**	\$0	\$0	\$0
Health Care Trust	\$0	\$310,200,000	\$164,000,000
Fund for Missouri's Future	\$0	\$125,000,000	\$0
Total Estimated Net Effect on <u>All</u> State Funds* **	(\$3,857,600 TO (\$50,027,143)	\$0 TO (\$422,560)	\$0 TO (\$423,778)

*Does not include auditing costs.

**Transfers and expenditures of \$45.8 million in FY 2002 would net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer** assume this proposal would not fiscally impact their agency.

Department of Health (DOH) officials state as a result of this proposal the department would need one Public Health Manager (\$51,888) to provide direction and leadership to the program and to the Board, one Management Analyst II (\$43,308) would provide expertise in the development of grants and contracts for bidding and awarding the funds, and one Clerk IV (\$26,460) would provide support to the Public Health Manager and the Management Analyst II. DOH states one Research Analyst III (\$40,716) would provide the expertise for establishing protocols for research, evaluating the merits of the applications for research received and provide technical assistance to the grantees for ensuring the protocols are adhered to, one Attorney (\$53,000) would review rules and regulations to implement the program and responsibilities of the board and provide expertise regarding the intellectual property rights as described in the proposed legislation, and review all grant applications and awards for propriety and compliance with the law and regulations, and one Clerk Typist II (\$20,472) would support the Research Analyst III and the Attorney and provide backup to the Clerk IV.

DOH states board costs are based on operational costs for each board member per board meeting: \$65 per night lodging, \$45 per day meals, \$75 mileage round trip. Eight two day meetings per year are estimated. 7 members x \$65 lodging, \$90 meals, \$75 mileage = \$1,610 x 8 meetings = \$12,880 annual. No inflation has been assessed for board costs. DOH states they apply indirect costs to all non-General Revenue funds in accordance with the indirect cost rate negotiated with the federal government.

Oversight assumes a range of income and expenditures from \$0 to (\$45,800,000) from the Healthy Families Trust Fund and would net to \$0. This amount reflects the amount of new funding requested from the Healthy Families Trust Fund in the FY2002 Governor's budget request upon receiving tobacco settlement funds. **Oversight** assumes that any funding is subject to appropriation.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** state this proposal creates within the Department of Health the Life Sciences Research Program and board which would promulgate rules. SOS states that based on experience with other divisions, the rules, regulations, and forms issued by the Life Sciences Research Board could require as many as 32 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes, and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The fiscal impact of this proposal in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **State Auditor's Office (SAU)** assumed one additional Staff Auditor II (\$35,000) and related expense and equipment would be needed to perform the duties of this proposal.

Oversight has also not reflected any auditing costs due to expenditures being subject to appropriation.

Office of Attorney General officials did not respond to our fiscal impact request.

Oversight assumes that tobacco settlement funds would be deposited into the General Revenue Fund in absence of this proposal. **Oversight** also notes that Missouri's tobacco settlement funds have been, thus far, deposited in an escrow fund and assumes that payments for 1998 through 2000 would be deposited at one time and payments for 2001 would also be made during FY 2002; therefore, the figure for FY 2002 represents three years worth of estimated payments (There were no payments in calendar year 1999).

House Substitute Amendment for House Amendment 2

Officials of the **State Treasurer** stated that they could carry out their duties under terms of this proposal with existing resources.

Oversight assumes that tobacco settlement funds would be deposited into the General Revenue

ASSUMPTION (continued)

Fund in the absence of this proposal. Oversight also notes that Missouri's tobacco settlement funds have been, thus far, deposited in an escrow fund and assumes that payments for 1998 through 2000 would be deposited at one time and payments for 2001 would also be made during FY 2002; therefore the figure for FY 2002 represents three years worth of estimated payments. (There were no payments in calendar 1999.)

That figure, about \$319,000,000, would allow immediate transfer of \$125,000,000 to the proposed endowment fund.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2001 general election.

Officials of the Office of Administration estimate that the cost to the state for a special election in November of 2001 would be approximately \$3,700,000. (This was the approximate cost of the Presidential Primary held in March of 2000.)

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		

GENERAL REVENUE FUND

Transfer out - Life Sciences Research Fund

Program costs	\$0 to (\$369,543)	\$0 to (\$422,560)	\$0 to (\$423,778)
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Cost - Secretary of State

Newspaper advertisements	(\$157,600)
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Cost - Special Election

(\$3,700,000)

Loss - Tobacco Settlement Revenue

\$0 to (\$45,800,000)	(\$435,200,000)	(\$164,000,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

<u>(\$3,857,600 to (\$50,027,143)</u>	<u>(\$435,200,000 TO \$435,622,560)</u>	<u>(\$164,000,000 TO \$164,423,778)</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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LIFE SCIENCES RESEARCH FUND

Transfer in - General Revenue Fund

Program costs	\$0 to \$369,543	\$0 to \$422,560	\$0 to \$423,778
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Cost - Department of Health

Personal services (6 FTE)	\$0 to (\$201,450)	\$0 to (\$247,784)	\$0 to (\$253,978)
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Fringe benefits	\$0 to (\$67,143)	\$0 to (\$82,586)	\$0 to (\$84,651)
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Expense and equipment	<u>\$0 to (\$100,950)</u>	<u>\$0 to (\$92,190)</u>	<u>\$0 to (\$85,149)</u>
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Total <u>Cost</u> - Department of Health	<u>\$0 to (\$369,543)</u>	<u>\$0 to (\$422,560)</u>	<u>\$0 to (\$423,778)</u>
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ESTIMATED NET EFFECT ON LIFE SCIENCES RESEARCH FUND*

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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***Does not include grant expenditures and auditing costs.**

HEALTHY FAMILIES TRUST FUND

Income - State of Missouri

Tobacco settlement	\$0 to \$45,800,000	\$0	\$0
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Costs - Life Sciences Research Board

Grant expenditures	\$0 to <u>(\$45,800,000)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON HEALTHY FAMILIES TRUST FUND

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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HEALTH CARE TRUST FUND

Income - State of Missouri

Tobacco settlement revenue	<u>\$0</u>	<u>\$310,200,000</u>	<u>\$164,000,000</u>
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ESTIMATED NET EFFECT ON HEALTH CARE TRUST FUND

<u>\$0</u>	<u><u>\$310,200,000</u></u>	<u><u>\$164,000,000</u></u>
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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FUND FOR MISSOURI'S FUTURE

<u>Income</u> - State of Missouri			
Tobacco settlement revenue	<u>\$0</u>	<u>\$125,000,000</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON FUND FOR MISSOURI'S FUTURE	<u>\$0</u>	<u>\$125,000,000</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may receive grant-in-aids and incur additional expenses as a result of this proposal.

DESCRIPTION

This proposal would create the Life Sciences Research Program in the Department of Health. The program would be administered by the Director of the Department of Health based on the recommendation of the Life Sciences Research Board. In its main provisions, the proposal would: (1) establish a seven-member Life Science Research Board and would specify the composition of board members, terms of selection and length of service for board members, residency requirements of board members, and the procedures pertaining to filling board vacancies and the appointment of additional board members; (2) authorize the board to issue conflict of interest guidelines pertaining to the administration and operation of the program and actions of board members. Board members would be prohibited from making decisions to award any grants which could lead to a conflict of interest; (3) require the board to use moneys in the Life Sciences Research Fund for the purposes of establishing quality research and specify the research agenda of the program; (4) contain provisions concerning the acceptance and approval of applications to award grants for the purpose of conducting research; (5) contain provisions which specify the powers of the board; (6) specify the use of "remaining funds" which are unexpended moneys the board has received; (7) contain provisions pertaining to the creation of program rules; (8) contain provisions pertaining to the establishment of the Centers for Excellence for Life Science Research in Missouri; (9) require that the centers appoint a steering

DESCRIPTION (continued)

committee and specify the duties of the committee; (10) require the Governor to initially appoint a seven-member Life Sciences Citizens Committee and specifies the duties of the committee. The duration of the committee and the selection of committee members are stated; (11) create the Life Sciences Research Fund in the state treasury and specify the use of the fund; (12) require the board to obtain an annual financial audit from the State Auditor or from an outside certified public accounting firm; (13) contain provisions pertaining to timely disclosure of research findings to the scientific community and the retaining of all rights, including copyrights and intellectual property rights; and (14) contain a provision pertaining to the severability of sections.

The portion of the proposal would also prohibit grant moneys from being used for abortion services or destructive human research. The proposal also provides that research projects include research and development into product safety and preventative care technologies.

This portion of the proposal would govern distribution and appropriations of monies received by the state as result of tobacco claims, as the term is defined in the proposal.

The first \$125,000,000 of tobacco settlement moneys would be deposited into an endowment fund, the Fund for Missouri's Future. Moneys in the endowment would not be subject to appropriation without a two-thirds vote of each chamber of the General Assembly. Endowment funds would be invested by the State Treasurer and would not be spent until the amount in the endowment reached \$1,000,000,000.

Additional tobacco settlement moneys (and earnings on the endowment after its value reached \$1,000,000,000) would be deposited into the Health Care Trust Fund and those funds would be subject to appropriation for purposes set out in the proposal. The legislature would appropriate Health Care Trust Fund moneys in a separate appropriation bill.

Tobacco settlement moneys would not be considered part of "total state revenues" and expenditure of those moneys would not be considered an "expense of state government" as those two terms are defined in article X of the state constitution.

The legislature would appropriate proceeds of any legal settlement or award to the state not otherwise dedicated by statute to a fund or program for programs related to education or health care.

The proposal contains an election clause and would go into effect if adopted by the voters of Missouri at a special election to be held on the Tuesday after the first Monday in November of 2001. If approved by the voters, this portion of the proposal would become effective on July 1, 2002.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health
Office of State Auditor
Office of Secretary of State
Office of State Treasurer
University of Missouri
Office of Administration

NOT RESPONDING: Department of Economic Development



Jeanne Jarrett, CPA
Director

April 26, 2001